

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**  
Quezon City

October 15, 2002

**REVENUE REGULATIONS NO. 17-2002**

**SUBJECT : Regulations Providing for the Policies, Procedures, and Guidelines in the Implementation of the Expanded Voluntary Assessment and Abatement Program (VAAP).**

**TO : All Internal Revenue Officers and Others Concerned.**

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**POLICY STATEMENT**

The Voluntary Assessment and Abatement Program (VAAP) under Revenue Regulations No. 12-2002 has been recently implemented to provide an opportunity for taxpayers covered by the RELIEF System or found to have materially understated their sales to pay the respective deficiency taxes due thereon without the imposition of the full amount of penalties imposable under the law. In order to provide equal treatment in rules for abatement of penalties to taxpayers who, whether by mere oversight or inadvertence or otherwise, have nevertheless failed to pay the correct amount of taxes due to the Government, these Regulations are promulgated to expand the VAAP to such similarly situated taxpayers by including other taxes and other taxable periods not previously covered therein.

**SECTION 1. SCOPE.** – Pursuant to Section 244, in relation to Sections 6, 115, 204, 254, 256, and other pertinent provisions of the National Internal Revenue Code of 1997 (Code), these Regulations are hereby issued to expand the coverage of the VAAP promulgated under Revenue Regulations No. 12-2002 to include other taxes and the taxable periods not covered therein (RR 12-2002).

**SEC. 2. COVERAGE.** – These Regulations shall cover the following:

- (A) **Persons.** – Any person, natural or juridical, including estates and trusts, liable to pay any of the internal revenue taxes mentioned in Subsection (B) hereof for the taxable years/periods specified therein, who due to inadvertence or otherwise, erroneously paid his/its internal revenue tax liabilities or failed to file tax return/pay taxes.

**(B) Taxes and Periods. –**

- (1) **Income tax.** – Calendar/fiscal year 2001 ending before June 30, 2002, and all prior taxable years;
- (2) **Value-added tax.** – Taxable quarter ending June 30, 2002 and all prior taxable periods;
- (3) **Excise tax.** – Taxable period ending June 30, 2002 and all prior taxable periods;
- (4) **Percentage tax.** – Taxable quarter/month ending June 30, 2002 and all prior taxable periods;
- (5) **Documentary stamp tax (DST).** – On transactions/documents entered into/executed up to June 30, 2002;
- (6) **Improperly accumulated earnings tax (IAET).** – On improperly accumulated earnings earned starting January 1, 1998 up to December 31, 2000;
- (7) **Withholding tax.** – On transactions occurring up to June 30, 2002;
- (8) **One-time transactions.** – Estate tax, donor's tax, capital gains tax, expanded withholding tax and documentary stamp tax on the sale, exchange, or disposition of real property and/or shares of stock on transactions occurring on or before June 30, 2002, irrespective of whether the corresponding returns and payment of such taxes fall due after such date.

**(C) Not Covered. –** The Regulations shall not cover the following:

- (1) Those taxpayers who have already received a Letter Notice (LN) from the Bureau pursuant to Revenue Regulations No. 12-2002 in respect to the taxable period and corresponding taxes due from the underdeclared sales stated in the LN;
- (2) Persons under investigation as a result of a verified information filed by a Tax Informer under Section 282 of the Tax Code of 1997, duly processed and recorded in the BIR Official Registry Book on or before September 16, 2002; and
- (3) Those covered by a Final Assessment Notice (FAN), or by a Collection Letter issued on or before September 16, 2002.

**SEC. 3. DURATION OF THE VAAP.** – Using the VAAP-Application Forms and VAAP- Payment Forms:

- (A) Applications for VAAP availment and corresponding payments for following taxes and taxable periods must be received on or before November 15, 2002 subject to the right of the taxpayer to pay in installment as that provided under Section 5 hereof:
  - (1) **Income tax** – Calendar and fiscal years 2000 and 2001;
  - (2) **Value-added tax** – Taxable quarters beginning January 1, 2000 up to taxable quarter ending June 30, 2002; and
  - (3) **Excise tax** – Taxable quarters beginning January 1, 2000 up to taxable quarter ending June 30, 2002.
- (B) Applications for VAAP Availment and corresponding payments thereon for the taxes and taxable periods other than those mentioned in (A) above must be received not later than November 29, 2002, subject to the right of the taxpayer to pay in installment as that provided under Section 5 of these Regulations.

Aside from the VAAP-Application Forms and VAAP-Payment Forms, submission of additional documents shall be required on onerous or gratuitous transfer transactions requiring the issuance of Tax Clearance Certificate (TCL)/Certificate Authorizing Registration (CAR) as a condition for the transfer of real property or shares of stock.

**SEC. 4. COMPUTATION OF AMOUNTS PAYABLE.** –

- (A) **Income Tax.** – The income tax payable shall be 110% of the basic tax due on (A) total adjusted sales/revenues consisting of (1) sales/revenues declared per returns, plus (2) voluntary disclosure of undeclared/unreported sales/revenues, (B) less allowable deductions, (C) multiplied by income tax rate.
- (B) **VAT Payable.** – The VAT payable shall be 110 % of the basic tax due on (A) total adjusted gross sales/gross receipts consisting of (1) gross sales/gross receipts declared per returns, plus (2) voluntary disclosure of undeclared/unreported gross sales/gross receipts, (B) multiplied by 1/11, (C) less input taxes.
- (C) **Excise Tax Payable.** – The excise tax payable shall be 110% of the basic tax due on the tax base.
- (D) **Percentage Tax Payable.** – The percentage tax payable shall be 110% of the basic tax due on the tax base.

- (E) **Improperly Accumulated Earnings Tax.** – The improperly accumulated earnings tax payable shall be 110% of the basic tax due on the improperly accumulated earnings computed in accordance with Section 29 of the Code and Revenue Regulations No. 2-2001.
- (F) **Documentary Stamp Tax/Withholding Tax/Taxes on One-Time Transactions.** – The tax payable for DST/withholding tax/taxes on one-time transactions such as estate tax, donor's tax, capital gains tax, expanded withholding tax and documentary stamp tax on sale, exchange, or disposition of real property and/or shares of stock on transactions occurring on or before June 30, 2002, shall be 120% of the basic tax due on the tax base.
- (G) **VAAP Amount for Accrued Penalties.** – Penalties that have accrued due to late payment of basic tax maybe the subject of VAAP availment, provided, that the VAAP amount payable shall consist of the payment of interest at the rate of twenty percent (20% ) per annum computed from the due date when the basic tax was supposed to be paid up to the time of payment thereof.

Payment of the above amounts shall constitute an abatement or cancellation of penalties, and shall therefore be in lieu of surcharge, interest and penalties otherwise due on the deficiency taxes payable by the taxpayer, subject to Section 7 hereof.

As used herein, the term basic tax shall mean tax due less tax paid in the original return.

All VAAP availments made pursuant hereto shall be subject to the review and evaluation by the National Office unless otherwise delegated upon order by the Commissioner of Internal Revenue.

## **SEC. 5. INSTALLMENT PAYMENTS. –**

- (A) **Installment Payment of Minimum Amounts Per Letter Notices and the Remaining Balance, if any, if the 110% of the Basic Tax is Higher than the Minimum Amounts.-** Installment payment of the minimum amounts per letter notices is hereby allowed under this section. The schedule of the installments shall be as follows:

1. For Minimum Amounts Payable totaling P3.0M and above, payment must be in three equal parts as follows:
  - (a) The first installment must be on the deadline set in the letter notice;
  - (b) The second installment must be paid within 30-days from first payment;
  - (c) The third installment must be made within the year 2002.
  
2. For Minimum Amounts Payable totaling between P0.5M and P3.0M, payment must be in two equal parts as follows:
  - (a) First installment must be in A-1 (a)
  - (b) Second installment must be in A-1 (b)

Accordingly, no installment payment shall be allowed if the amount payable is less than five hundred thousand pesos (P500,000.00).

All payments, accompanied by a duly accomplished VAAP payment form, must be submitted and made to an AAB of the RDO having jurisdiction over the taxpayer.

For the remaining balance, if any, upon filing of the submission (VAAP Application Form) where the remaining amount payable exceeds P1M, the same shall be paid in two equal installments, both to be paid in year 2002.

- (B) Installment Payment of Voluntarily Disclosed Amounts.** – Installment payment must be in three (3) equal parts. The first payment must be made before the filing of the VAAP Application Form with the Revenue District Office. The payment form duly filed and validated by the AAB must accompany the VAAP Application Form filed with the RDO. The second and third payments, accompanied by the VAAP payment form, must be made to the AAB within the year 2002.

Provided, that no installment payment shall be allowed if the amount payable is less than five hundred thousand pesos (P500,000.00).

**SEC. 6. CERTIFICATE OF QUALIFICATION.** – The VAAP application form and the validated VAAP payment form and such other documents as may be required and duly received by the appropriate BIR Office shall serve as proof of VAAP

availment without need for the issuance of a Certificate of Qualification. Certificate of Qualification shall only be issued on VAAP availments for transactions on transfers of real property or shares of stock requiring the issuance of Tax Clearance Certificates or Certificate Authorizing Registration (CAR).

**SEC. 7. INCORRECT SUBMISSION RESULTING IN ADDITIONAL DISCREPANCIES. –**

- (A) Notwithstanding the taxpayer's payment of the amounts referred to in Section 4, should the Bureau discover additional discrepancy through the RELIEF System and the ITS as well as through other processes, where the additional sales/revenues/tax base discovered exceed the amount voluntarily disclosed by 10% or P1,000,000, whichever is lower, the availment of VAAP for each of the tax type and taxable period covered by the availment shall be considered null and void and the entire under-declaration/discrepancy shall be subjected to the full force of the law;
- (B) Likewise, should the Bureau discover through the RELIEF System and the ITS as well as through other process, overstatement in purchases or cost or tax credit or deduction by more than 10% or P1,000,000, whichever is lower, of what has been voluntarily disclosed in the VAAP-AF, the VAAP availment for each of tax type and taxable period covered by the availment shall be considered null and void and the entire findings/discrepancies shall be subjected to the full force of the law;
- (C) Notwithstanding the foregoing, if the discrepancy discovered is equal to or less than the threshold amounts prescribed above, the VAAP availment shall remain valid, provided that payment of appropriate additional tax in accordance with Section 4 hereof is made on the additional discrepancy.

**SEC. 8. APPLICABILITY CLAUSE. –** The VAAP installment payment scheme provided in Section 5 hereof shall also apply to VAAP availments under Revenue Regulations No. 12-2002.

**SEC. 9. EFFECTIVITY CLAUSE. –** The provisions of these Regulations shall take effect after fifteen (15) days following publication in a newspaper of general circulation.

(Original Signed)  
**JOSE ISIDRO N. CAMACHO**  
Secretary of Finance

Recommending Approval:

(Original Signed)  
**GUILLERMO L. PARAYNO, JR.**  
Commissioner of Internal Revenue